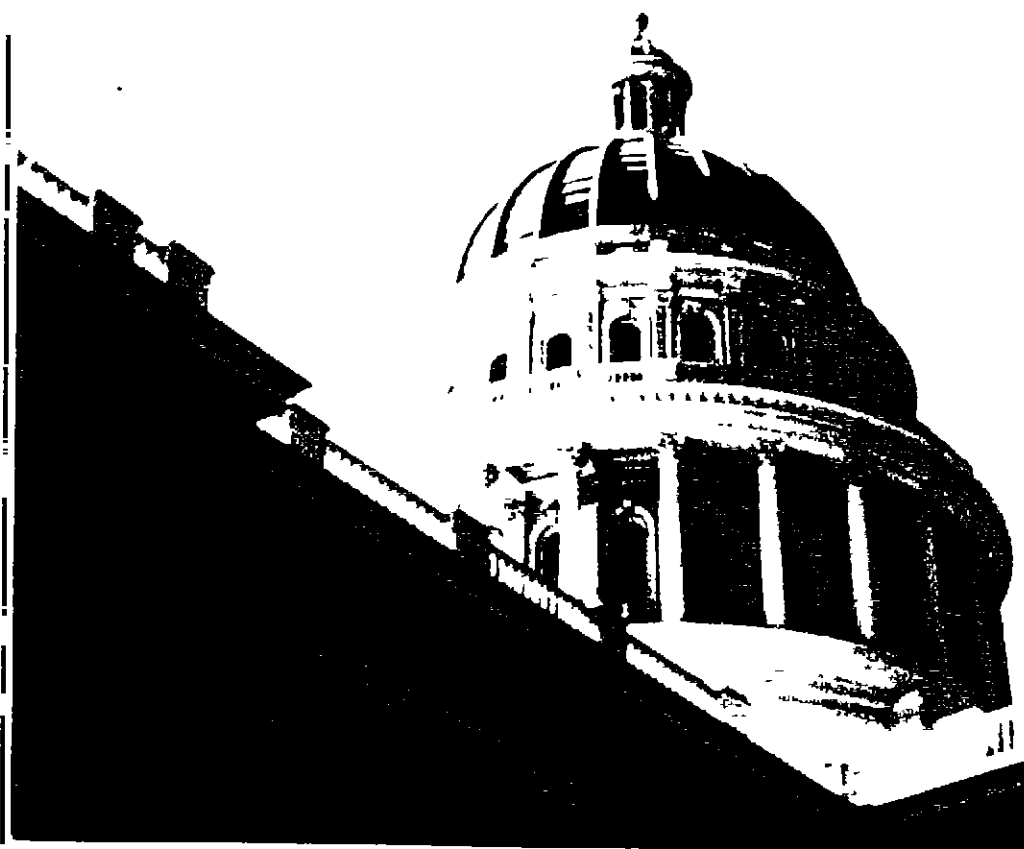


ANALYSIS OF THE 1990-91 GOVERNOR'S BUDGET



CALIFORNIA POSTSECONDARY
EDUCATION COMMISSION



Summary

This report provides the staff's analysis of the proposed Governor's 1990-91 Budget for the State of California. The analysis provides (1) a discussion on pages 1-2 of the major budget issues facing the Governor and the Legislature in constructing the 1990-91 State budget, (2) a brief overview on page 3 of the Governor's proposed funding priorities, and (3) a summary on pages 7-22 of the proposed budgets for K-12, the public postsecondary education segments, and the State's higher education agencies. It includes the findings and the recommendations of the Legislative Analyst's report on the 1990-91 Budget Bill and an analysis on pages 19-20 of the postsecondary education proposals for capital outlay projects for the 1990-91 fiscal year.

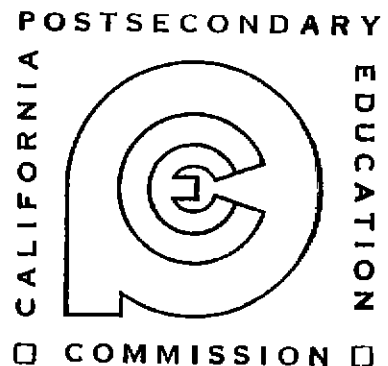
Over the next several months, as the Governor's Budget is discussed and negotiated, the Commission staff will actively participate in the debate on the key fiscal and policy issues affecting postsecondary education. On pages 4-5, the report identifies some of these issues, which include (1) future enrollment growth in higher education, (2) full funding of the base budgets and enrollment growth in California's public colleges and universities, (3) level of faculty, staff and administrators compensation, (4) expanding student financial assistance, and (5) funding the needs of adult education.

The Administration and Liaison Committee of the Commission discussed this report at its meeting on March 5, 1990. Additional copies of the report may be obtained from the Publications office of the Commission at (916) 324-4991. Questions about the substance of the report may be directed to Diana Fuentes-Michel of the staff at (916) 322-8025.

ANALYSIS OF THE 1990-91 GOVERNOR'S BUDGET

*A Staff Report to the California
Postsecondary Education Commission*

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
Third Floor • 1020 Twelfth Street • Sacramento, California 95814-3985





COMMISSION REPORT 90-13
PUBLISHED MARCH 1990

THIS is one in a series of staff reports on important issues affecting California postsecondary education. These reports are brought to the California Postsecondary Education Commission for discussion rather than for action, and they represent the interpretation of the staff rather than the formal position of the Commission as expressed in its adopted resolutions and reports containing policy recommendations.

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Analysis of the 1990-91 Governor's Budget

THE GOVERNOR'S proposed fiscal year 1990-91 budget for the State of California totals \$73.9 billion in federal and State funds, including \$42.6 billion in General Fund expenditures (a 7.3 percent increase over the current year). Display 1 below shows the total funding proposed by the Governor for the State's upcoming budget year in the ten major categories of expenditure.

In California, almost all appropriations for State programs are put into a single piece of legislation -- the budget bill, which by law must be enacted by the Legislature by June 15 of each year to go into effect on July 1. Each January, the Governor begins the budget development process by introducing his proposed spending plan for the upcoming budget year (which runs July 1 through June 30 of the succeeding year).

Over the next several months, the Governor's Budget will undergo significant review and change as revenue estimates are revised and discussions between the Governor and the Legislature occur over State funding priorities. In a very practical sense, the proposed budget offers a starting point for negotiations between the administration and the Legislature over what the State's spending priorities should be.

The proposed 1990-91 spending plan put forward by the Governor in January has been put into two bills, one carried on behalf of the Governor by the chair of the Senate Fiscal and Budget Review Committee (Senate Bill 1765) and the other (Assembly Bill 2590) by the chair of the Assembly Ways and Means Committee. During the months of March through May, these two bills will be the subject of detailed

DISPLAY 1 Proposed Total Expenditures, 1990-91 State Budget (Dollars in Millions)

<u>Program Area</u>	<u>General Funds</u>	<u>Special Funds</u>	<u>Bond Funds</u>	<u>Total State Funds</u>	<u>Federal Funds</u>	<u>Total All Funds</u>
K-12 Education	\$16,134.7	\$74.1	\$1,629.9	\$17,838.7	\$1,602.2	\$19,440.9
Health and Welfare	13,062.0	771.1	6.1	13,839.1	12,368.4	26,207.6
Higher Education	6,269.7	40.1	391.8	6,701.6	3,626.7	10,328.3
Business, Transportation and Housing	118.6	2,514.7	202.6	2,835.9	1,086.8	3,922.7
Tax Relief Subventions	924.7	--	--	924.7	--	924.7
Payment to Local Government	0.3	2,904.8	--	2,905.1	42.3	2,947.4
Youth and Adult Correctional Resources	2,850.0	16.2	445.7	3,311.9	1.5	3,313.4
State and Consumer Services	746.8	769.6	537.2	2,053.6	277.0	2,330.6
Other	274.1	315.5	--	589.6	20.7	610.3
	<u>2,231.8</u>	<u>505.6</u>	<u>--</u>	<u>2,737.4</u>	<u>1,136.8</u>	<u>3,874.2</u>
TOTAL	\$42,612.7	\$7,911.7	\$3,213.3	\$53,737.6	\$20,162.4	\$73,900.1

Source: The 1990-91 Governor's Budget

hearings by those two budget committees, which will divide themselves into subject-specific subcommittees. Those budget subcommittees will debate and revise the proposed spending plan. At the close of committee hearings, the two houses will reconcile the differences between the two versions of the bills in a two-house conference committee which typically is convened during the first week in June. The Legislature is constitutionally obligated to send the final budget on a two-thirds vote to the Governor by June 15, where the Governor can then further reduce appropriations through the line-item veto before signing the bill which goes into effect on July 1.

Commission staff will participate in the budget debate throughout the budget development process, both in subcommittee hearing and in other discussions affecting the development of the final spending plan. Most of the staff input will focus on the specific policy and fiscal issues affecting postsecondary education, these issues are discussed in this analysis of the proposed budget. However, the issues affecting the construction of the budget go well beyond postsecondary education, and since these issues are vitally important to the availability of General Funds for the support of postsecondary education, this analysis begins with a brief overview of the major budget issues affecting the development of the 1990-91 budget.

How much revenue will be available?

The proposed Governor's Budget is based on estimates of revenue, which, unlike the spending plan, are not put into legislation, but are simple estimates of expected revenue for the upcoming fiscal year. Revenue estimates are based on assumptions about the State's economic performance which are largely drawn from past economic trends. The major categories of revenues to the State's General Fund are shown in Display 2 at the right.

The proposed budget estimates that State revenues will amount to \$43.1 billion (or 8.4 percent more than the current year) in 1990-91. This estimate is based on General Fund revenue estimates which assume continued economic progress, with a slight adjustment for increased inflation, and are \$3.3 billion higher than revenue estimates for the current year.

DISPLAY 2 1990-91 State Revenue Fund Sources (Dollars in Millions)

<u>Source</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>Bond Funds</u>
Personal Income Tax	\$19,050	\$7	--
Sales Tax	14,485	528	--
Bank and Corporation Taxes	5,880	20	--
Highway Users Taxes	--	2,611	--
Motor Vehicle License Fees	--	2,307	--
Insurance Tax	1,273	--	--
Tobacco	151	625	--
Liquor Tax	127	--	--
Estate Taxes	397	--	--
Horse Racing Fees	113	43	--
Other	1,626	1,729	--
Proceeds from Bond Sales			<u>3,213</u>
TOTAL	\$43,102	\$7,870	\$3,213

Source: The 1990-91 Governor's Budget.

These estimates differ from the Commission on State Finance forecast, which estimates that revenues will amount to \$42.9 billion (or grow by 7.7 percent), a difference of \$204 million from the Governor's Department of Finance estimates.

The Legislative Analyst's Office estimates that approximately \$2.6 billion of this \$3.3 billion expected new revenue will actually be available to fund increases in State programs. This conclusion is based upon the expectation that (1) \$345 million will be required to pay for current year expenditures that are expected to exceed current year revenues, and (2) \$489 million will be budgeted to restore the State reserve fund in 1990-91 to the desired level of approximately \$946 million. Consequently, about one-fourth of the expected revenue increase in 1990-91 will not be available to augment State spending.

Will the new revenues accommodate the expenditure increases?

While the Governor's Budget assumes revenue growth, its revenue estimates are less than what would be fully required to fund all workload and statutory funding increases. Both the State Commission on Finance and the Legislative Analyst estimate that there will be a significant gap between the amount of available new revenue and the amount needed to maintain current service levels in the budget year. The Legislative Analyst estimates that "nearly \$4.5 billion in resources would be needed to accommodate the normal growth in State expenditure, and to restore the reserve to the 3 percent level. Thus, the Legislature faces a \$1.9 billion funding gap as it begins its deliberations on the State's budget for 1990-91."

At least 70 percent of the State's General Fund expenditures are driven by policies enacted through statutory or constitutional provisions. These include programs within the health and welfare area (such as Medi-Cal, AFDC, Supplemental Security Income/State Supplemental Program (SSI/SSP) and K-14 education. Corrections-related expenditures have also increased dramatically to accommodate an increasing inmate population. The less than 30 percent of the budget that can be modified without changes in existing law includes State funding for the University of California, the California State University, student financial aid, as well as other non-education program areas such as public health, mental health and developmental disability programs. Unless existing law or statute is changed, the Legislature, as it reviews the Governor's Budget, will need to make \$1.9 billion in reductions from the 30 percent of the budget that is open for cuts.

Funding priorities in the Governor's proposed budget

The Governor proposes to provide funding increases for (1) K-12 education and the community colleges as required by Proposition 98, (2) expansion of the State's correctional system, and (3) workload and new legislation requirements. To achieve a balanced budget as required by the State's Constitution and to fund his budget priorities, the Governor

has forwarded the following proposals:

- 1 Lower budget reserve funding by adjusting downward the State's reserve for economic uncertainties by \$330 million (to 2.2 percent of the proposed General Fund expenditures). Previous Governor's Budgets have allocated an amount equal to 3 percent of the State's budget year expenditures to the reserve.
- 2 Reduce existing level of services from health and welfare programs. The proposed budget reduces funding for child abuse training, day care licensing programs, Greater Avenues for Independence (GAIN) programs, In-Home Supportive Services Program and categories of health care provided under the current Medi-Cal program. The Governor's Budget also proposes to suspend for one year the statutory cost-of-living increases in the various health and welfare programs (such as AFDC, SSI/SSP, IHSS, Medi-Cal). Some of the proposed reductions will require legislation to implement. The estimated level of savings to the General Fund is approximately \$1.2 billion.
- 3 Deferral of existing State commitments for a savings of \$197 million to the State Budget. The budget includes two proposals that defer payment from the 1990-91 budget year until fiscal year 1991-92: (1) the payment of the final check-write for Medi-Cal expenditures made in 1990-91 (a savings to the General Fund of \$48 million) and (2) payback to the University of California Retirement Plan (\$50 million). In addition, the budget proposes to defer \$99 million in State costs from the 1990-91 budget to future years.
- 4 Shift \$157 million in existing State costs to local county governments by: (1) reducing county health services and (2) requiring counties to administer property tax programs from their own funding resources.

Since the process for settling on new revenue and the end-of-the-year revenue balance estimates tends to be rather fluid, and given the importance that the June election on Proposition 111 will have on establishing a higher appropriations limit, it is likely that serious negotiations on these major issues will be deferred until the budget is put into the conference committee in June.

The Commission's role in the budget process

While the Commission's role in the negotiations on the major budget issues identified on the previous page will be restricted to that of an observer, the Commission will be an active participant on the key higher education budget issues throughout the legislative process

The key issues include

- *Enrollment growth in higher education* As the Commission recently concluded in its report, *Higher Education at the Crossroads*, more than 700,000 additional students will be enrolling in California higher education during the next 15 years. In the Legislative Analyst's discussion of the major issues facing the Legislature in her *Analysis of the 1990-91 Budget Bill*, she identified the need for higher education to accommodate that enrollment growth and offered the following four major conclusions:
 - 1 The University of California should expedite the development of one new campus, reassess the enrollment assumptions associated with a second new campus, and suspend planning for a third new campus
 - 2 No demonstrated need currently exists to plan for any new State University campuses
 - 3 Significant shortcomings exist in the community colleges planning model and consequently no conclusions can be made about the number of community colleges needed
 - 4 While billions of dollars will be needed in the next five years and beyond for postsecondary education capital outlay, the capital outlay planning by the segments does not adequately inform the Legislature on how needs related to projected enrollment growth are to be met. Consequently, the Legislature does not have the information it needs to make sure it funds postsecondary education facilities based on its priorities
- *The issue of growth will receive considerable attention in the budget hearings, and the Commission will be asked to advise and comment on the analysis offered by the Legislative Analyst.*
- *Full funding of the base budgets and enrollment growth in California's public colleges and universities* As indicated above, the Governor's Budget does not fully fund the base budgets of the public universities and it does not fund full growth in the community colleges. Continued reductions in the base budgets of the institutions will have a long-term negative impact on the general quality of their academic programs and on their capacity to provide full access to public baccalaureate education. The Commission will emphasize this issue during legislative hearings
- *Levels of faculty, staff, and administrators compensation* The Commission annually reports to the Legislature on faculty salaries at the University of California and the California State University in comparison to salaries paid by other states. The Legislative Analyst has recommended to the Legislature that the Commission include in its annual report on faculty salaries an analysis of the administrative salaries that the University and the State University pay to their central office administrators in comparison to the salaries paid by other states in similar institutions. To be most productive, this study should consider salary compensation levels within the context of the role and function of central administrative offices. It is likely that the Commission will be asked to provide comment during the legislative budget hearings in response to the Legislative Analyst's report
- *Expanding student financial assistance* As indicated on page 17 later in this document, the proposed budget includes no additional new Cal Grant awards or increases in the size of the maximum award. In recent years, the Commission has placed a high priority on recognizing the erosion of student financial aid opportunity and urging expanded financial assistance as a necessary means to mainstream the State's commitment to access. In addition, as the Commission concluded in *Higher Education at the Crossroads*, expanded funding for the Cal Grant program will assist students choosing to enroll in the independent sector and thereby relieve some of the enrollment pressures on the public institutions
- *Funding the needs of adult education* The Governor's Budget provides a 2.5 percent base increase and a 3.0 percent cost-of-living adjustment for adult education, but no funds for districts to start new adult education programs. The Com-

mission has placed a high priority on securing budgetary augmentations to support the expanded provision of English as a second language and basic skills instruction in all communities throughout the State where unmet needs exists for adult instruction. The Commission will stress the importance of removing (1) the prohibition against the establishment of adult education programs by communities that lacked such programs in 1978, and (2) the cap on State funds for basic skills and English as a second language instruction in order to allow expanded instruction to meet current urgent needs.

Proposition 111 (formerly Senate Constitutional Amendment 1)

The Governor's Budget is based on existing statutory spending limitations and does not assume passage of Proposition 111 -- The Traffic Congestion and Spending Limit Reduction Act (formerly Senate Constitutional Amendment 1) -- that will appear on the ballot in June 1990. Display 3 at the right shows the appropriations limit, the amount of State revenue subject to the limit, and the difference between the two for the past ten years. Proposition 111 would (1) authorize the phase-in of a nine cent a gallon gasoline tax increase (increasing the State excise tax from 9 cents to 18 cents per gallon by 1994), (2) increase the State spending limit, and (3) amend Proposition 98.

The measure, if passed by the voters, would enact a 55 percent increase in truck weight fees and a five-cents-per-gallon increase in the full tax on August 1, 1990, and an additional one-cent-per-gallon increase on January 1 for each of the succeeding four years (up to 9 cents per gallon). The measure also changes the calculation of the State appropriations limit to permit the State to expend more of the revenues it receives than under the current Gann limit. The measure proposes to do this by using per-capita personal income instead of inflation and population growth data to determine economic growth. In addition, the measure would exempt expenditures that are (1) made in excess of the limit under the declaration of gubernatorial declaration of emergency, (2) made on capital outlay projects, and

DISPLAY 3 State Appropriation Limit and Appropriations Subject to It, 1979-80 - 1990-91 (Dollars in Millions)

<u>Year</u>	<u>State Appropriation Limit</u>	<u>Appropriations Subject to Limitation</u>	<u>Amount (Over) or Under Limit</u>
1978-79 Base	\$12,564	--	--
1979-80	14,195	--	--
1980-81	16,237	\$15,535	\$ 702
1981-82	18,030	16,872	1,158
1982-83	19,593	16,154	3,439
1983-84	20,369	17,737	2,632
1984-85	21,740	20,822	918
1985-86	22,962	22,467	495
1986-87	24,311	25,449	(1,138)
1987-88	25,201	24,030	1,171
1988-89	27,079	26,935	144
1989-90	29,184	29,056	128
1990-91	31,200	31,057	143

Source: The 1990-91 Governor's Budget.

(3) -- on transportation expenditures -- made from increases in the gasoline tax.

Proposition 111 would also continue to provide that public education and the community colleges continue to receive at least 40.9 percent of the State General Fund budget. The proposed measure defines the amount of funding that would be built into the K-12 and community colleges base budget and change the inflation adjustment. However, the measure also would allow the State to defer a portion of the amount guaranteed to K-12 and the community colleges in bad revenue years to years where the revenues exceed the appropriations limit. If Proposition 111 is approved in June, the proposed 1990-91 budget will have to be revised in June to reevaluate the availability of State revenues under the new appropriations limit and to accommodate the new K-12 and community college funding calculation.

Proposed reductions in higher education expenditures

At this time, it is not known how passage of Proposition 111 will directly affect higher education. If new State revenues are understated and the proposition passes, higher education would most likely benefit from new resource availability. To what extent higher education funding would be augmented is not known. However, without additional revenues the Governor's Budget proposes to make ends meet by reducing higher education expenditures as follows:

Deferral of the University of California's retirement plan payback The Governor's Budget proposes to delay the restoration of the University's retirement funds which were borrowed in the 1989-90 budget. It is anticipated that a 1990-91 appropriation will be provided in separate legislation with a provision that funds will be released to the University during the 1991-92 budget year. This deferral would save the State budget \$55.6 million in the budget year.

Unallocated budget reductions at the State University The \$14.5 million unallocated reduction to the State University's budget affects the State University's ability to maintain the quality of its academic programs. What program areas the State University will have to reduce to meet the budget reductions is not known.

Not fully funding base budgets The Governor's Budget provides no funding for price increases and staff merit salary adjustments for the University and the State University. Institutions will need to pay for these increases and adjustments, but funds for them are not provided in the proposed budget.

Continuing the enrollment growth cap on community college enrollment The governor's Budget continues the community college enrollment growth cap limiting growth in community colleges. Because of the cap, most community college districts are unable to offer enough classes to accommodate the students wishing to enroll. The request of the Chancellor's Office for an additional \$35 million in growth remains unfunded. Moreover, the proposed program-based funding mechanism that would move the community colleges away from a average-daily-attendance-driven funding system (which is

included in Phase II funding of the AB 1725 reforms) is not funded in the proposed budget.

Proposed educational expenditures for public K-12 and postsecondary education

Proposition 98 (The Classroom Instruction Improvement and Accountability Act) was passed by California voters in November 1988 and has resulted in a major restructuring of State financing. The measure made two significant changes to the allocation of State General Fund revenues:

- First, the initiative provided for and has established a guaranteed minimum level of funding for K-12 education and the community colleges. This guaranteed funding level is based on the size of the General Fund budget and workload and cost increases.
- The measure also specified that tax revenue received by the State in excess of the State spending limit, up to a certain level, be allocated to K-12 and the community colleges rather than rebated to the taxpayers. Revenues allocated to the educational segments during these years are to be built into their base budgets for subsequent years. Specifically, the K-12 and community colleges are guaranteed the same percent of the General Fund received in the base years 1986 and 1987 or the prior-year funding level adjusted for enrollment and cost-of-living adjustments, whatever is greater. This provision has yet to take effect, as the State has not experienced an excess in State revenues since 1987.

Proposition 111 would change those provisions to provide a third method for determining the K-12 and community colleges guaranteed portion of the budget. In budget years where revenues did not grow as fast as the appropriations limit, K-12 and the community colleges would receive its prior year budget (adjusted for enrollment and to reflect the change in per capita General Fund revenues), however, the difference between the amount of money they received and the amount of money they would have received in a good revenue year would be paid back in later years.

The Governor's Budget proposes that K-12 and community colleges' Proposition 98 guarantee portion of General Fund support grow by 8 percent in fiscal

year 1990-91 from \$14 159 billion to \$15 297 billion (or by \$1 1 billion) for K-12 education and \$1 563 billion to \$1 688 billion (or \$125 million) for the community colleges

State Department of Education

The total proposed K-12 budget for 1990-91 is \$27 2 billion, of which \$20 865 million is in General Fund support. The Governor's Budget proposes a 7 2 percent increase in General Fund expenditures over the 1989-90 spending level for K-12 education. The budget, which supports the enrollment of 5,040,952 elementary and secondary school students - a 3 percent increase over 1989-90 enrollment - includes

- \$543 7 million for statutory cost-of-living increases of 3 percent and another \$30 3 million for discretionary cost-of-living increases of 3 percent for pre-school and child care programs, regional occupational centers, economic impact aid, instructional materials for grades 9-12, apprenticeship and staff development programs
- \$512 7 million for enrollment increases in school districts and county offices of education
- \$110 million to implement the provisions of Senate Bill 666 that provides class size reduction and language arts enrichment programs for grades 1-3
- \$6 8 million for a 2 5 percent statutory growth increase for adult education programs, to be targeted for English as a second language classes, services to GAIN clients and basic skill courses

Existing statute ties the cost-of-living adjustment for K-12 education to the federal deflator (which is currently 4 95 percent). The Governor's Budget proposes a 3 percent COLA which is 1 9 percent less than the scheduled increase. The difference between these adjustments is estimated to be \$350 million. After adjusted for inflation, the proposed budget actually provides \$51 per pupil less than the 1989-90 funding levels.

Postsecondary education

The Governor's Budget for California's postsecond-

ary education system is \$15 471 billion (this figure excludes funds proposed to be provided for capital outlay expenditures) for the State's 138 public colleges, universities and related agencies. Display 4 on page 8 shows the budget summary for the public postsecondary education segments and state higher education agencies. Display 5 on page 9 provides information regarding the proposed enrollment growth of each of the three public postsecondary segments.

California has historically provided all high school graduates and community college transfer students who met the eligibility criteria for admission either to the University of California or the California State University the opportunity to enroll someplace in the institution.

While the Governor's Budget proposes to fund undergraduate enrollment increases for the public postsecondary segments, the budget does not provide full funding of the University, State University, or community colleges base budgets. Continued reductions in the base budgets of the public colleges and universities will have a long-term negative impact on the general quality of their academic programs and on their capacity to provide access to postsecondary education. In addition, the proposed budget provides no funding for graduate enrollment growth in the University of California, although it provides funding for enrollment growth in the graduate program of the State University.

The Governor's Budget proposes no student fee increase at the community colleges but increases in fees at the University and State University of 4 7 percent and 4 8 percent, respectively, providing an additional \$10 million in revenue to the University and \$9 8 million to the State University. These proposed increases are consistent with existing statewide student fee policy that sunsets in August 1990. Display 6 on page 9 shows student charges for the University, State University, and community colleges from 1983-84 through 1990-91. Displays 7 and 8 on pages 10 and 11 provide cost-of-attendance information for the University of California and the California State University and their comparable public institutions.

DISPLAY 4 *Summary of Estimated 1990-91 Postsecondary Education Budget by Funding Source*
(Dollars in Thousands)

	<u>General Fund</u>	<u>State Lottery</u>	<u>Other State</u>	<u>Federal</u>	<u>Property Tax</u>	<u>Student Fees</u>	<u>Other</u>	<u>Totals</u>
University of California	\$2,203,843 ^a	\$26,006	\$71,805	\$3,222,314 ^b	--	\$456,676	\$2,921,692 ^c	\$8,902,336
The California State University	1,740,479 ^{a d}	46,234	14,100	97,392	---	341,782 ^d	541,779	2,781,766
California Community Colleges	1,688,168	127,051	71,487	157,615	\$778,084	65,676	432,249	3,320,330 ^e
California Maritime Academy	7,017	30	33	401	--	582	1,634	9,697
Hastings College of the Law	14,424	236	---	210	---	2,709	3,147	20,726
California Student Aid Commission	162,695	--	25,081	238,157	---	-	831	426,764
California Postsecondary Education Commission	3,646	---	---	4,309	---	---	145	8,100
Council for Private Postsecondary and Vocational Education	---	---	1,452	627	-	---	---	2,079 ^f
TOTAL	\$5,820,272	\$199,557	\$183,958	\$3,721,025	\$778,084	\$867,425	\$3,901,477	\$15,471,798^g
Percent of Total	37.6%	1.3%	1.2%	24.1%	5.0%	5.6%	25.2%	100.0%

^a Includes lease purchase revenue bonds of \$24.5 million for the University and \$7.7 million for the State University

^b Includes \$2.4 billion budgeted within UC for three Department of Energy laboratories

^c Includes reimbursements, hospital fees, private contributions, sales and service, and auxiliary enterprises

^d The \$341.8 million in fee revenues are shown in the Governor's Budget as a General Fund appropriation

^e Includes expenditures not shown in the Governor's Budget

^f Funding for the newly-created Council is for half year operations (January 1, 1991 to June 30, 1991)

^g Excludes capital outlay

Source: Analysis of the 1990-91 Budget Bill, Legislative Analyst.

DISPLAY 5 *Average Daily Attendance/Full Time Equivalent Enrollment in California's Education Systems, 1989-90 and 1990-91*

	Average Daily Attendance/Full-Time-Equivalent Enrollment		<u>1990-91 vs 1989-90</u>
	<u>1989-90</u>	<u>1990-91</u>	
K-12 ¹	4,869,703	5,040,952	171,249
California Community Colleges	717,576 ²	733,312	15,736
The California State University	267,380 ³	274,500	7,120
Undergraduate	(231,020)	(237,172)	(6,152)
Postbaccalaureate	(18,335)	(18,823)	(488)
Graduate	(18,025)	(18,505)	(480)
University of California	152,213 ²	154,101	1,888
Undergraduate	(114,097)	(115,985)	(1,888)
Graduate	(26,094)	(26,094)	(--)
Health Sciences	(12,022)	(12,022)	(--)
Hastings College of the Law	1,340 ²	1,340	--
California Maritime Academy	<u>371²</u>	<u>380</u>	<u>9</u>
TOTAL STUDENTS	6,008,583	6,204,585	196,002

1 Source: Unduplicated average daily attendance, Department of Finance

2 Budgeted

3 Budgeted: Estimated Actual 1989-90 enrollment is 272,081 FTE

Source: The 1990-91 Governor's Budget.

DISPLAY 6 *Average Per-Student Undergraduate Fees Charged by the University of California, the California State University, and the California Community Colleges in Fiscal Years 1983-84 Through 1990-91*

<u>Year</u>	<u>University of California</u>	<u>The California State University</u>	<u>California Community Colleges</u>
1983-84 Base	\$1,387	\$692	\$100
1984-85	1,317	658	100
1985-86	1,324	666	100
1986-87	1,345	680	100
1987-88	1,492	754	100
1988-89	1,554	815	100
1989-90	1,634	839	100
1990-91 ^a	1,703	875	100

a Based on proposed 1990-91 Governor's Budget

Sources: Table 5, *The Price of Admission, 1983* (Sacramento: California Postsecondary Education Commission, December 1982), and California Postsecondary Education Commission staff analysis

DISPLAY 7 *Costs of Attendance at the University of California and Eight Comparable Public Universities, 1989-90*

<u>Institution</u>	<u>Tuition and Fees</u>	<u>Books and Supplies</u>	<u>On-Campus Room and Board</u>	<u>Transportation</u>	<u>Other Costs</u>	<u>Total Costs</u>
University of California ¹	\$1,634	\$561	\$4,735	\$378	\$1,398	\$8,706
State University of New York, Buffalo	1,497	689	3,790	742	795	7,522
University of Arizona	1,362	550	3,192	620	1,390	7,114
University of Illinois, Urbana	2,788	425	3,426	395	1,212	8,246
University of Michigan, Ann Arbor	3,081	320	3,975	180	1,024	8,580
University of Oregon, Eugene ²	1,679	390	2,486	235	1,090	5,680
University of Texas, Austin	964	450	3,300	506	1,250	6,470
University of Virginia	2,700	500	3,150	N/R	900	7,777
University of Washington	1,827	492	3,660	606	1,335	7,920
Average of above institutions, excluding the University of California	1,987	478	3,372	527	1,125	7,489

1 Systemwide average for on-campus students

2 Figures are projected for 1989-90

N/R Not reported, but average cost used in calculating total cost figures

Source California Postsecondary Education Commission survey and *The College Cost Book, 1989-90* The College Board, New York

DISPLAY 8 *Costs of Attendance at the California State University and 16 Comparable Public Universities, 1989-90*

<u>Institution</u>	<u>Tuition and and Fees</u>	<u>Books and Supplies</u>	<u>On-Campus Room and Board</u>	<u>Transportation</u>	<u>Other Costs</u>	<u>Total Cost</u>
The California State University	\$839	\$450	\$4,069	\$471	\$1,204	\$7,033
Arizona State University	1,362	480	3,680	N/R	N/R	6,915
Cleveland State University	2,277	400	2,907	250	600	6,434
Georgia State University	1,659	660	N/R	N/R	N/R	6,772
Mankato State University ¹	1,782	400	2,275	225	1 000	5,682
North Carolina State University	922	450	2,770	300	900	5,342
Rutgers The State University of New Jersey, Newark	3,102	500	3,661	N/R	1,843	9,506
State University of New York, Albany	1,485	360	3,301	250	650	6,046
University of Colorado, Denver	1,304	450	N/R	N/R	N/R	6,207
University of Maryland, Baltimore County	2,204	420	3,640	292	895	7,451
University of Nevada, Reno	1,200	500	2,500	600	1,200	6,000
University of Texas, Arlington	994	416	3,852	594	900	6,756
University of Wisconsin, Milwaukee	1,915	305	2,574	400	647	5,841
Virginia Polytechnic Institute and State University ¹	2,730	560	2,464	210	950	6,914
Wayne State University	2,316	415	N/R	1,040	832	7,663
Illinois State University ²	2,238	456	2,498	390	1,233	6,815
University of Connecticut ²	2,631	460	3,660	250	1,259	8,260
Average of above institutions, excluding the California State University	1,883	452	3,060	400	993	6,788

1 In 1991-92, these universities will be deleted from the list as comparable institutions

2 In 1991-92, these universities will replace the deleted ones as comparable institutions

N/R Not reported, but average cost used in calculating total cost figures

Source California Postsecondary Education Commission survey and *The College Cost Book, 1989-90* (New York: The College Board)

The University of California

The 1990-91 Governor's Budget proposes an overall support budget of \$2,523.1 million. Display 9 on the opposite page provides budget information on the University. The proposed budget includes \$2,203.9 million from the State General Fund, representing a \$114.4 million or 5.5 percent increase over 1989-90. Other funding sources include \$62 million from the State Special and Non-governmental Funds and \$257.2 million from the University's General Fund income, which includes the University's retirement deferral costs. Financial support for the University from other sources totals \$6,378.9 million for a total operational budget of \$8,902 million.

The University's total student enrollment is projected at 154,101 FTE (up from 152,213 students) or 1,888 new FTE in 1990-91. This proposed increase in student enrollment is proposed for the University's general campuses among upper-division undergraduate students, with no growth in the number of lower-division students. The proposed budget does not include funding for additional graduate or health science enrollments. Budget adjustments for the University include:

- \$9.9 million to fund instructional costs associated with the proposed enrollment increase
- Student fees for full-time students are proposed to be increased by \$69 from \$1,476 to \$1,535 per year -- a 4.7 percent increase. Nonresident fees will be raised from \$5,799 to \$5,916, a 2 percent increase.
- \$37.2 million to support a 4.8 percent salary increase for University faculty and a 3.9 percent staff salary increase effective January 1, 1990, plus \$16.5 million for faculty merit salary adjustments.
- \$2.6 million for financial aid related to enrollment growth and the proposed fee increase.
- \$7.9 million for increased support of the University's physical plant.
- Deferral of repayment of \$68 million to the University of California Retirement Plan (UCRP). Separate legislation is proposed to repay the fund in 30 installments of \$5.3 million annually (the employment calculation rate is reduced from 5.92

percent to 4.03 percent) for a total of \$55.6 million. The Legislative Analyst has requested that Legislative Counsel address the legal responsibilities related to the timing of the payment of retirement benefits that would allow the State to pay this benefit in the arrears.

Like other recent Governor's Budgets, this one provides no new State funds for price increases for fixed support costs and no new monies for program improvements or expansion. In addition, it reduces the University's teaching hospital subsidy from \$8 million in 1989-90 to \$3 million in 1990-91. The Legislative Analyst has also identified that the budget does not include the full amount of revenue bonds required to fund current University capital construction projects. A delay in funding these projects will result in an estimated additional \$1.3 million in interest payments to be paid by the State.

The California State University

The California State University total 1990-91 proposed budget is \$2.7 billion, of which \$2.082 billion is in State General Fund support -- representing a \$113.6 million increase (5.8 percent) in General Fund support over the current year. Display 10 on page 14 shows the budget summary for the State University.

Student enrollments at the State University are proposed at 274,500 full-time equivalent (FTE) for the 1990-91 year, up from the State University's 1989-90 budgeted enrollment of 267,380 FTE, an increase of 7,120 students. Budget adjustments proposed in the Governor's Budget include:

- \$23.8 million to accommodate a projected enrollment increase of 6,870 students (excluding student enrollment increases projected for San Marcos).
- \$8.3 million for support of the first-year operation of the new San Marcos campus -- serving 250 FTE students to be admitted in the Fall of 1990.
- \$24.1 million to provide for an average 4.9 percent faculty salary increase effective January 1, 1991. \$3.2 million is also proposed to support faculty merit salary adjustments.

DISPLAY 9 Budget Summary for the University of California, 1988-89 Through 1990-91 (Dollars in Thousands)

<u>Program or Source</u>	<u>Actual 1988-89</u>	<u>Estimated 1989-90</u>	<u>Proposed 1990-91</u>	<u>Change from 1989-90</u> <u>Amount</u>	<u>Percent</u>
Budgeted Programs					
Instruction	\$1,372,336	\$1,575,325	\$1,601,734	\$26,409	1.7%
Research	212,396	257,172	248,198	8,974	3.5
Public Service	82,548	88,829	89,303	474	0.5
Academic Support	338,575	362,785	370,068	7,283	2.0
Teaching Hospitals	1,066,971	1,251,116	1,338,469	87,353	7.0
Student Services	183,308	178,125	178,125	---	---
Institutional Support	287,993	318,508	320,942	2,434	0.8
Operation and Maintenance	241,340	275,707	284,467	8,760	3.2
Student Financial Aid	88,562	79,297	81,926	2,629	3.3
Auxiliary Enterprises	274,440	316,225	335,028	18,803	5.9
Special Regents' Program	43,603	81,283	76,295	-4,988	-6.1
Unallocated Adjustments	12,154	-10,785	112,081	122,866	--- ^a
Subtotals, Budgeted Programs	(\$4,204,226)	(\$4,773,587)	(\$5,036,636)	(\$263,049)	(5.5%)
Extramural Programs					
Sponsored Research and Other	\$1,245,770	\$1,349,400	\$1,451,700	\$102,300	7.6%
Department of Energy Labs	2,232,379	2,290,000	2,414,000	124,000	5.4
Subtotals, Extramural Programs	(\$3,478,149)	(\$3,639,400)	(\$3,865,700)	(\$226,300)	(6.2%)
Grand Totals	\$7,682,375	\$8,412,987	\$8,902,336	\$489,349	5.8%
Funding Sources					
Budgeted Programs					
General Fund	\$1,970,047	\$2,089,475	\$2,203,843	\$114,368	5.5%
University General Funds	160,524	196,753	201,659	4,906	2.5
UC Retirement System Fund	---	57,200	55,629	-1,571	-2.7
State Transportation Fund	956	956	956	---	---
California Water Fund	100	100	100	---	---
Cigarette and Tobacco Products Fund	---	40,923	31,949	-8,974	-21.9
Facilities Bond Fund (1988)	3,000	2,200	---	-2,200	--- ^a
Capital Outlay Bond Fund (1990)	---	---	3,000	3,000	--- ^a
Lottery Education Fund	25,984	26,006	26,006	---	---
Federal Funds	12,724	12,640	13,114	474	3.8
University Funds--Restricted	2,030,891	2,347,334	2,500,380	153,046	6.5
Extramural Programs					
State Agency Agreements	\$34,402	\$35,100	\$35,800	\$700	2.0%
Federal Funds	694,567	743,200	795,200	52,000	7.0
Private Gifts, Contracts, and Grants	235,764	257,000	277,500	20,500	8.0
Other University Funds	281,037	314,100	343,200	29,100	9.3
Department of Energy (Federal)	2,232,379	2,290,000	2,414,000	124,000	5.4
Personnel Years	57,589	57,715	58,064	349	0.6%

^a Not a meaningful figure

Source: Analysis of the 1990-91 Budget Bill, Legislative Analyst

DISPLAY 10 Budget Summary for the California State University, 1988-89 Through 1990-91
(Dollars in Thousands)

<u>Program or Source</u>	<u>Actual 1988-89</u>	<u>Estimated 1989-90</u>	<u>Proposed 1990-91</u>	<u>Change from 1989-90 Amount</u>	<u>Percent</u>
Program					
Instruction	\$1,113,175	\$1,262,004	\$1,282,749	\$20,745	1.6%
Public Service	1,130	1,251	1,251	---	--
Academic Support	188,443	213,143	217,960	4,817	2.3
Student Services	244,715	251,198	281,367	30,169	12.0
Institutional Support	454,116	504,242	516,499	12,257	2.4
Independent Operations	71,399	70,755	74,689	3,934	5.6
Auxiliary Organizations	333,768	354,092	375,762	21,670	6.1
Provisions for Allocation	13	-19,483	-26,268	-6,785	34.8 ^a
Unallocated Salary increase	---	---	57,757	57,757	--- ^a
TOTALS, Expenditures	\$2,406,759	\$2,637,202	\$2,781,766	\$144,564	5.5%
Funding Source					
General Fund	\$1,793,864	\$1,968,633	\$2,082,261	\$113,628	5.8%
Special Account for Capital Outlay	---	3,500	3,500	---	--
Reimbursements	55,905	57,729	62,370	4,641	8.0
Higher Education Earthquake Account	341	181	---	-181	-100.0
Continuing Education Revenue Fund	47,247	51,592	51,824	232	0.4
Dormitory Revenue Fund	30,499	36,522	38,654	2,132	5.8
Parking Revenue Fund	11,420	12,368	13,153	785	6.3
1988 Higher Education Capital Outlay Bond Fund	1,696	13,904	---	-13,904	-100.0
1990 Higher Education Capital Outlay Bond Fund	---	---	10,600	10,600	--- ^a
Lottery Education Fund	37,044	55,803	46,234	-9,569	-17.1
Federal Trust Fund	94,975	82,864	97,392	14,528	17.5
Special Projects Fund	---	14	16	2	14.3
Auxiliary Organization					
Federal	56,407	59,842	63,504	3,662	6.1
Other	277,361	294,250	312,258	18,008	6.1
Personnel Years	35,465.7	35,550.3	36,474.7	924	2.6%

^a Not a meaningful figure

Source: Analysis of the 1990-91 Budget Bill, Legislative Analyst.

- \$13.3 million for an average salary increase of 3.9 percent for nonfaculty employees effective January 1, 1991
- Mandatory systemwide student fee increase of \$36 from \$708 to \$744 a year for a full-time student, representing a 4.8 percent increase. There is no proposed increase in the nonresident tuition of \$5,670 a year.
- \$5.2 million in General Fund financial aid to offset the impact of the fee increase and to fund an increase in the number of students eligible to receive the State University Grant.
- \$14.5 million in an unallocated budget reduction.
- \$1.5 million reduction in the State University's instructional equipment replacement budget.

The proposed budget provides no new State funds for price increases for fixed support costs that are primarily for utilities and maintenance, and it proposes no new funds for new programs. It provides \$1.4 million to increase the amount and the number of Educational Opportunity Grants (EOP) and redirects \$419,000 from the Teacher Education Program (by terminating the program) to increase the CSU Graduate Equity Fellowships.

The Legislative Analyst has recommended that the Legislature request information from the State University as to the reasons why the Teacher Education Program is being proposed for termination. The Analyst also requests information regarding how the unallocated budget reduction will be achieved. And finally, the Analyst recommends that the Legislature clarify the extent to which the CSU can differentiate the cost-of-living salary adjustment within the average increase that is authorized in the Budget Act. The Analyst recommends that the Legislature review how the State University has allocated its cost-of-living salary adjustment to its employees, since the Analyst found that the salary adjustments provided to State University executive, management, and supervisory employees last year varied significantly -- from 3.7 to 43.0 percent.

California Community Colleges

The California Community Colleges' total State budget is nearly \$2.7 billion, of which \$1.7 billion is in State General Fund support -- representing a \$120.5 million increase of 7.4 percent over the previous year's budget. Display 11 on the next page provides detail on the total support budget for the 107 community colleges. Student enrollment for the community colleges in 1990-91 is projected to be 733,312 average daily attendance (ADA), an increase of 15,736 ADA, with no proposed increases in student fees. Included in this budget are

- \$161.6 million to increases to State support to local community colleges -- 5.2 percent statutory COLA (\$115.4 million), equalization (\$10.9 million), and 2.15 percent statutory Average Daily Attendance (ADA) growth (\$35.3 million)
- \$5 million to fund ADA growth over the statutory enrollment growth cap. An additional \$5 million is proposed to continue ADA funding growth in basic skills courses above statutory attendance limits.
- \$5.3 million for a 5.2 percent discretionary COLA for the following programs: Extended Opportunity Programs and Services (EOPS), Disabled Students Programs and Services (DSPS), Cooperative Agency Resources for Education (CARE), Transfer Centers, Matriculation, and the Puente Project.
- \$1 million in Faculty and Staff Diversity Program Funds to support the improvement of teaching and recruitment of ethnic minorities and women.
- \$1.129 million to fund the Economic Development Program for the purpose of developing on-the-job training and employment programs in cooperation with the Department of Commerce and local employers.
- \$771,000 to fund ADA matriculation growth (2.15 percent) as required by statute to provide matriculation services to new students.
- \$204,000 to fund a 3 percent discretionary COLA for existing apprenticeship programs.

DISPLAY 11 Total Support for the California Community Colleges from All Sources, 1988-89 Through 1990-91 (Dollars in Millions)

Type of Support or Source	Actual 1988-89	Estimated 1989-90	Proposed 1990-91	Change from 1989-90 Amount	Percent
State Support					
State Operations	\$14 3	\$21 0	\$19 6	-\$1 4	-6 7%
Categorical Programs	212 2	224 3	227 8	3 5	1 6
Apportionments	1,305 4	1,393 8	1,502 2	108 4	7 8
Proposition 98	---	---	10 0	10 0	--- ^a
Subtotals, State Support	(\$1,531 9)	(\$1,639 1)	(\$1,759 6)	(\$120 5)	(7 4%)
Local Support					
Property Taxes	\$665 0	\$705 2	\$770 9	\$65 7	9 3%
Local Debt	8 3	7 7	7 2	-0 5	-6 5
Subtotals, Local Support	(\$663 3)	(\$712 9)	(\$778 1)	(\$65 2)	(9 1%)
Other Support					
Federal	\$190 4	\$157 6	\$157 6	---	---
Lottery Revenues	125 2	121 2	127 1	\$5 9	4 9%
Enrollment Fee	65 2	65 0	65 7	0 7	1 1
Other Revenues	419 2	432 8	432 2	-0 6	-0 1
Subtotals, Other Support	(\$800 0)	(\$776 6)	(\$782 6)	(\$6 0)	(0 8%)
Totals	\$2,995 2	\$3,128 6	\$3,320 3	\$191 7	6 1%
Funding Sources					
General Fund	\$1,450 8	\$1,563 9	\$1,688 2	\$124 3	7 9%
Local Funds	663 3	712 9	778 1	65 2	9 1
Federal Funds	190 4	157 6	157 6	---	---
Bond Funds	33 1	28 0	28 0	---	---
Other State/Reimbursements	49 6	47 2	43 4	-3 8	-8 1
Other/Fee/Lottery	608 0	619 0	625 0	6 0	1 0

^a Not a meaningful figure

Source Analysis of the 1990-91 Budget Bill, Legislative Analyst

In addition, the Governor's Budget provides \$375,000 to establish a planning and accountability program as required by Assembly Bill 1725, but it does not propose to fund Phase II of AB 1725 reform. The 1989-90 Budget Act provided the first \$70 million in on-going base funding, yet \$70 million more will be needed to fully fund the reform efforts and implement the legislation's provisions regarding program-based funding.

The Legislative Analyst has also recommended that the proposed \$5 million for "over the cap" average daily attendance growth be allocated according to the Legislature's priorities rather than allowing local districts to establish its purposes.

California Maritime Academy

The California Maritime Academy General Fund budget is \$7 017 million, reflecting a \$87,000 increase over 1989-90. Display 12 on the opposite page provides information regarding the Academy's proposed budget. The budget includes a \$41 student fee increase for the academy's 400 resident and non-resident students. The Legislative Analyst's Office has recommended that the Legislature hold an oversight hearing to discuss the proposals included in a January 1990 Legislative Analyst report which advocated that the Legislature review options for continuation, modification, or elimination of State

DISPLAY 12 State Funds for the Support of Current Operations at the California Maritime Academy, Budgeted for 1989-90 and Proposed for 1990-91, with Percentage Increases (Dollars in Thousands)

<u>Fund</u>	<u>1989-90 Budget</u>	<u>1990-91 Proposed</u>	<u>Percent Increase</u>
General Fund	\$6,930	\$7,017	1 3%
Lottery Funds	<u>30</u>	<u>30</u>	--
TOTAL	\$6,960	\$7,047	--

Source The 1990-91 Governor's Budget

support of the Academy The analyst has identified three options for consideration

- 1 Eliminate State support on the basis that the Academy is not necessary to meet the labor market demand for licensed maritime officers and therefore is not cost effective,
2. Continue the existing level of State support on the basis that the Academy's job placement success reflects superior productivity, thereby indicating that the Academy is successful in meeting its academic and vocational goals,
- 3 Continue to provide merchant marine training through either (a) increased student fees, (b) the imposition of an industry tax or volunteer contribution from those maritime industries using California waters, (c) replacing the Academy by establishing a maritime program at the California State University, or (d) supporting a financial aid program which would provide California students with opportunities at out-of-state schools This issue and the Analyst's recommended options will be debated further in the legislative budget hearings scheduled in March

Hastings College of Law

The Hastings College of Law proposed budget is \$20.7 million, including \$14.4 million in General Fund support for 1990-91 The proposed budget is 8 percent higher than the current year Display 13 at the right provides budget detail regarding the law

DISPLAY 13 State Funds for the Support of Current Operations at the Hastings College of the Law, Budgeted for 1989-90 and Proposed for 1990-91, with Percentage Increases (Dollars in Thousands)

<u>Fund</u>	<u>1989-90 Budget</u>	<u>1990-91 Proposed</u>	<u>Percent Increase</u>
General Fund	\$13,272	\$14,424	8 0%
Lottery Funds	<u>236</u>	<u>236</u>	--
TOTAL	\$13,508	\$14,660	--

Source The 1990-91 Governor's Budget

school's funding sources Budget adjustments for Hastings College of Law include

- A \$91 student fee increase for full-time resident students from \$1,653 to \$1,744 a year
- \$348,000 to fund the second phase of a three-year plan for enhancement of the law school's clinical program

California Student Aid Commission

The total proposed 1990-91 budget for the Student Aid Commission is \$425.764 million, of which \$162.6 million are State General Funds, \$263 million are federal funds, and \$104,000 are Other State funds This budget represents a 1.2 percent increase over the 1989-90 fiscal year but proposes no additional new Cal Grant awards or increases in the \$5,250 maximum Cal Grant award Display 14 on page 18 shows the budget summary for local assistance programs administered by the Student Aid Commission That Commission's budget includes

- A \$2.155 million increase for the maintenance of full-fee funding for Cal Grant recipients attending the University of California and California State University
- A \$1.4 million administrative increases largely funded from the State Guaranteed Loan Reserve Fund, including \$945,000 and 18.8 personnel year positions for the implementation of the Financial Aid Processing System (FAPS), \$183,000 for schools services, and \$308,000 for compliance

DISPLAY 14 Student Aid Commission Local Assistance Programs 1988-89 Through 1990-91
(Dollars in Thousands)

Type of Support or Source	Actual 1988-89	Estimated 1989-90	Proposed 1990-91	Change from 1989-90 Amount	Percent
Grant Programs					
Cal Grant A (Scholarship)	\$85,231	\$105,137	\$105,189	\$52	0.1%
Cal Grant B (College Opportunity)	40,112	50,695	55,677	4,982	9.8
Cal Grant C (Occupational)	3,721	3,069	3,161	92	3.0
Graduate Fellowship	2,781	2,969	2,969	---	---
Law Enforcement Personnel Dependents	7	14	14	---	---
Bilingual Teacher Development	326	260	25	-235	-90.4
Byrd Scholarship Program	778	798	783	-15	-1.9
Paul Douglas Teacher Scholarships	<u>1,876</u>	<u>2,098</u>	<u>2,009</u>	<u>-89</u>	<u>-4.2</u>
Subtotals, Grant Programs	(\$134,832)	(\$165,040)	(\$169,827)	(\$4,787)	(2.9%)
Other Programs					
Assumption Program of Loans for Education (APLE)	\$356	\$1,294	\$1,700	\$406	31.4%
Work Study Program	703	750	810 ^a	60	8.0
Cal-SOAP	593	577	577	---	---
Reimbursements	<u>-778</u>	<u>-798</u>	<u>-783</u>	<u>15</u>	<u>1.9</u>
Subtotals, Other Programs	<u>(\$874)</u>	<u>(\$1,823)</u>	<u>(\$2,304)</u>	<u>(\$481)</u>	<u>(26.4%)</u>
Grand Totals	\$135,706	\$166,863	\$172,131	\$5,268	3.2%
Funding Sources					
General Fund	\$122,639	\$153,543	\$158,900	\$5,357	3.5%
Federal Trust Fund	13,067	13,320	13,231	-89	-0.7

^a Reflects \$60,000 administrative allowance transferred from state administration to local assistance in 1990-91

Source: Analysis of the 1990-91 Budget Bill, Legislative Analyst.

audits. In 1990-91, the Student Aid Commission will assume the loan processing activities currently conducted through an external contract for the State Guaranteed Student Loan program.

- A \$75 million increase in the Commission's authority to purchase defaulted loans
- The proposed budget does not include funding for the implementation of the Willie L. Brown, Jr. Community Service Scholarship Program

The Legislative Analyst recommends approval of the Student Aid Commission's budget. She finds that General Fund administrative costs will be reduced by 40 percent as a result of the implementation of the Financial Aid Processing System (FAPS). In addition, she finds that there will be a temporary rise in the number of default claims during 1990-91 and 1991-92 due to the rapid growth in the number of defaults in the Supplemental Loans for Students (SLS) program and the total dollar volume of loans that has been guaranteed.

California Postsecondary Education Commission

The Commission's proposed 1990-91 budget is \$8.08 million, including \$3.95 million in State General Fund support and \$4.13 million in federal funds. The Commission's proposed budget includes funding for \$150,000 for the development of a comprehensive multi-year student flow and eligibility study. The budget also includes \$140,000 spending authority for the establishment of the California Planning Commission for Educational Technology. The Commission is directed by Chapter 1334, Statutes of 1989 to establish a special fund for support of this activity and to operate as the fiscal agent for the Planning Commission for Educational Technology.

The Legislative Analyst recommends approval of the Commission's proposed budget. She also recommends that the Legislature adopt supplemental budget language requesting that the Commission's annual report on administrative salaries reflect the comparability of California State University and University of California central-office administrator salaries to those of administrators in similar institutions in other states.

Council for Private Postsecondary and Vocational Education

The proposed half-year budget for the new Council of Private Postsecondary and Vocational Education, effective January 1, 1991, is \$2.079 million. On that date, the responsibility for oversight and administration of private postsecondary institutions, as well as State staff and funding resources, will transfer from the State Department of Education to the new Council. The proposed Council will be self-supporting, deriving most of its revenues from fees charged to private schools seeking State licensure and federal reimbursements. The Council's budget is based on a six-month budget allocation.

The 1990-91 Governor's Budget proposes that the existing Private Postsecondary Education Division within the Department of Education be budgeted for \$2,057 million. During the 1989-90 fiscal year, the Department of Education will establish ten additional positions to perform and meet the fiscal and program reviews as required under the provisions of

Assembly Bill 1402 and Senate Bill 190. An additional 15 positions are requested for the budget year. The total number of positions proposed for the new Council in fiscal year 1990-91 is 64, compared with 39 in the current year.

Higher Education Capital Outlay Program

The Governor's Budget proposes \$723.7 million to finance higher education facilities projects in 1990-91. Display 15 on page 20 shows the proposed capital outlay projects for each of the public postsecondary education segments. The budget includes proposals to allocate \$1 million to the University of California for capital outlay planning and the development of preliminary plans. It also includes \$8.6 million for the California State University to fund acquisition costs associated with the development of the Contra Costa off-campus site. No funds would be made available for preliminary plans requested for the State University's Ventura off-campus site. In addition, the community colleges would not receive the \$193,000 they requested for additional staff support for long-range planning.

The State's capital outlay programs are largely financed through bond measures which must be approved by the State's voters. Once approved, the State Treasurer issues securities or general obligation bonds which are repaid with interest over the years that the facilities are being used. A recent Legislative Analyst's report on the State's infrastructure needs estimated that the State's total capital outlay needs for all State program areas (including K-12 facilities) for the five-year period of 1990-91 through 1994-95 is \$18.8 billion. The issues of what priority higher education should take in bond financing and the amount of bond debt that the State should and can reasonably secure will likely be issues of continuing debate and concern.

There are presently over \$16 billion in general obligation measures which have qualified or are currently being considered for the ballot by the Legislature. Display 16 on page 21 provides a listing of the general obligation bonds proposed for the 1990 ballot. A significant portion of the higher education facilities bond financing proposed in the Governor's Budget is carried in Senate Bill 147 -- the Higher Education Facilities Bond Act of 1990 -- which, as

DISPLAY 15 Funds for Capital Outlay at California Public Postsecondary Institutions, Budgeted for 1989-90 and Proposed for 1990-91 (Dollars in Thousands)

Segment and Fund	1989-90 <u>Budgeted</u>	1990-91 <u>Proposed</u>
University of California		
Higher Education Capital Outlay Bond Fund of 1986	182	--
High Technology Education Revenue Bond Fund	\$149,279	--
Higher Education Capital Outlay Bond Fund of 1988	69,240	--
Public Building Construction Fund	30,010	99,572
Higher Education Capital Outlay Bond Fund of 1990	--	127,000
TOTAL STATE FUNDS	(\$248,711)	(\$226,572)
Federal and Other Nonstate Funds	<u>57,509</u>	<u>34,925</u>
TOTAL FUNDS	\$306,220	\$261,497
The California State University		
Higher Education Capital Outlay Bond Fund of 1986	\$27,501	--
High Technology Education Revenue Bond Fund	38,882	--
Higher Education Capital Outlay Bond Fund of 1988	149,968	--
Special Account for Capital Outlay	24	--
Public Building Construction Fund	91,921	82,126
Higher Education Capital Outlay Bond Fund of 1990	<u>--</u>	<u>119,400</u>
TOTAL STATE FUNDS	(\$308,296)	(\$201,526)
Other (Nonstate) Funds	<u>60,439</u>	<u>62,770</u>
TOTAL FUNDS	\$368,735	\$264,296
California Community Colleges		
Higher Education Capital Outlay Bond Fund of 1986	\$6,041	--
Higher Education Capital Outlay Bond Fund of 1988	100,951	--
Special Account for Capital Outlay	193	--
Public Building Construction Fund	69,980	100,065
Higher Education Capital Outlay Bond Fund of 1990	<u>--</u>	<u>97,807</u>
TOTAL STATE FUNDS	(\$177,165)	(\$197,872)
Local (District) Funds	<u>5,959</u>	<u>--</u>
TOTAL FUNDS	\$183,124	\$197,872
California Maritime Academy		
Higher Education Capital Outlay Bond Fund of 1988	\$145	--
Higher Education Capital Outlay Bond Fund of 1990	<u>--</u>	<u>60</u>
TOTAL FUNDS	\$145	\$60

Source The 1990-91 Governor's Budget

DISPLAY 16 General Obligation Bonds Proposed for the 1990 Ballot (Dollars in Millions) ^a

<u>Bill</u>	<u>Author</u>	<u>Authorization</u>	<u>General Program Area</u>
AB 67	Waters	\$200	Auburn Dam Public enhancements
AB 145	Costa	874	Wildlife, parklands, recreation resources
AB 236	Clute	1,000	K-12 school facilities
AB 256	Bader	800	K-12 school facilities
AB 348	Sher	300	Reforestation and urban forestry
AB 461	Hayden	1,000	Higher education New campuses
AB 524	Murray	800	Youth/adult correctional facilities
AB 824	Bader	100	School bus safety
AB 973	Costa	1,000 ^b	Passenger rail facilities
AB 1312	Filante	200	Water treatment and reclamation
AB 1416	Killea	150	Urban waterfront parks
AB 1572	Waters	500	Water conservation and development
AB 1598	Peace	150	Waste water and toxic cleanup
AB 1755	Friedman	100	Police facilities
AB 1771	Roos	50	Child care
AB 1811	Sher	256	Forestry and wildland fire protection
AB 1882	Bronzan	700	County health facilities
AB 2180	Brown	745	County courthouses
AB 2527	O'Connell	200	Water quality Safe drinking water
SB 78	Watson	300	Child care facilities
SB 147	Hart	900	Higher education facilities
SB 173	Greene	1,000	K-12 school facilities
SB 484	Seymour	1,000	K-12 school facilities
SB 842	Presley	900	Youth/adult correctional facilities
SB 1053	Alquist	100	Urban waterfront parks
SB 1094	Presley	750	County correctional facilities
SB 1145	Nielsen	150	Flood control
SB 1250	Torres	300	Earthquake safety Public buildings
SB 1618	Lockyer	30	Voting system uniformity
SB 1710	Torres	100	Fire protection for state high-rise buildings
SB 1712	Ayala	1,200	Auburn Dam construction and operation
SB 1717	Presley	740	State/local correctional facilities
SB 1963	Roberti	150 ^c	Housing and homeless needs
Voter Initiative		<u>1,990</u>	Passenger rail facilities
Total, all proposals		\$19,985	
Total, without double-counting		\$15,995 ^d	

^a Source California State Treasurer and Legislative Analyst's Office

^b This bill, which was enacted as Chapter 108/89, also provides for a \$1 billion bond act in both 1992 and 1994

^c Enacted as Chapter 48/88.

^d Excludes authorizations for which another measure exists that calls for a nearly identical program

Proposition 121 on the June ballot, would provide bonding authority for \$450 million

As discussed above, the Legislative Analyst's *Analysis of the 1990-91 Budget Bill* found that capital-outlay planning of the University of California should (1) be expedited to develop one new campus by the mid-1990s, (2) reassess the enrollment assumptions for a second campus, and (3) suspend planning for a third campus. The Analyst's report also recommended that there currently exist no demonstrated need for any new California State University campuses by 2005 and made no recommendation on the expansion of the community college system. The Analyst declined to make a recommendation on the community colleges' growth plan, finding that the simulation model used to project enrollment growth in the community colleges was unreliable as an accurate predictor of the system's future growth

Faculty salaries

Display 17 on the opposite page shows the parity figures derived by the Commission for the University and the State University during the period of 1980-81 through 1990-91 and compares those figures with amounts approved in the State Budget Act and with increases in the United States Consumer Price Index (CPI) for the same years

Annually, in accordance with Senate Concurrent Resolution 151 of the 1965 Legislative Session, the Commission submits to the Governor and the Legislature an analysis of faculty salaries in the University of California and the California State University for the forthcoming budget year. The Commission adopted its 1990-91 fiscal year report at its January meeting. This year, the estimated faculty salary parity amounts for the University and the State University are 4.79 and 4.88 percent, respectively. The Governor's Budget proposes a 4.8 percent increase for University of California faculty and a 4.9 percent increase for faculty employed by the State University

Conclusion

This report provides an analysis of the 1990-91 Governor's Budget for the State of California. The proposed budget for postsecondary education totals \$15.471 billion. The budget for the University of California, the California State University, the California Community Colleges, and the Student Aid Commission supports a General Fund increase of 5.5 percent, 5.8 percent, 7.9 percent, and 1.2 percent, respectively.

While enrollment growth is funded in the Governor's Budget, full funding for the University of California's base budget is not provided. Undergraduate enrollment growth at the University is funded in the proposed budget, but no additional funding for graduate or health science enrollment increases is proposed. State funding to meet increased fixed support costs related to increased workload and economic changes is also not funded in the University's base budget.

The proposed Governor's Budget funds State University enrollment growth at both the undergraduate and graduate levels, but it reduces the State University's base budget by an unallocated budget reduction and decreases in the instructional equipment replacement budget. Community college enrollment growth is fixed at approximately 2 percent, and the budget does not fund student enrollment growth beyond the existing growth cap.

While the Governor's Budget funds undergraduate enrollment growth increases, the absence of funding for increases in fixed support costs will force reductions in the University and State University base budgets and limit the community colleges' ability to meet local growth. The availability of any additional revenue in large part will be decided by the health of the State's economy and voter action on Proposition 111 in the June election. If Proposition 111 passes, it is estimated that it may allow up to \$1 billion in the appropriations ceiling. If Proposition 111 fails and additional revenues are not available, the Legislature will need to make significant reductions in order to formulate a balanced budget.

DISPLAY 17 Comparisons of Faculty Salary Parity Adjustment Calculations by the Commission with Actual Percentage Increases Provided in State Budgets During This Decade

<u>Year</u>	<u>University of California Commission</u>	<u>Budget</u>	<u>The California State Commission</u>	<u>University Budget</u>	<u>United States Consumer Price Index</u>
1980-81	5 0%	9 8%	0 8%	9 8%	11 5%
1981-82	5 8	6 0	0 5	6 0	8 7
1982-83	9 8	0 0	2 3	0 0	4 1
1983-84	18 5	7 0	9 2	6 0	3 7
1984-85	10 6	9 0	7 6	10 0	3 9
1985-86	6 5	9 5	N A	10 5	2 9
1986-87	1 4	5 0	6 9	6 8	2 7
1987-88	2 0	5 6	6 9	6 9	4 1
1988-89	3 0	3 0	4 7	4 7	4 8
1989-90	4 7	4 7	4 8	4 8	4 5 (estimated)
1990-91	4 8	4 8	4 9	4 9	5 1 (projected)

N A . No parity adjustment was computed for the State University for the 1985-86 year

Note Some of the percentage increases provided in the budget were for a period of time less than a full year. There have been changes in both the University and State University comparison groups over this time, and there was a change in the State University's computation methodology in 1985.

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CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

THE California Postsecondary Education Commission is a citizen board established in 1974 by the Legislature and Governor to coordinate the efforts of California's colleges and universities and to provide independent, non-partisan policy analysis and recommendations to the Governor and Legislature

Members of the Commission

The Commission consists of 17 members. Nine represent the general public, with three each appointed for six-year terms by the Governor, the Senate Rules Committee, and the Speaker of the Assembly. Six others represent the major segments of postsecondary education in California. Two student members are appointed by the Governor.

As of February 1995, the Commissioners representing the general public are

Henry Der, San Francisco, *Chair*
C. Thomas Dean, Long Beach
Elaine Alquist, Santa Clara
Mim Andelson, Los Angeles
Jeffrey I. Marston, San Diego
Guillermo Rodriguez, Jr., San Francisco,
Vice Chair
Melinda G. Wilson, Torrance
Linda J. Wong, Los Angeles
Ellen F. Wright, Saratoga

Representatives of the segments are

Roy T. Brophy, Fair Oaks, appointed by the Regents of the University of California,
Yvonne W. Larsen, San Diego, appointed by the California State Board of Education,
Alice Petrossian, Glendale, appointed by the Board of Governors of the California Community Colleges,
Ted J. Saenger, San Francisco, appointed by the Trustees of the California State University, and
Kyhl Smeby, Pasadena, appointed by the Governor to represent California's independent colleges and universities, and
vacant, representing the Council for Private Postsecondary and Vocational Education

The two student representatives are
Stephen Leshner, Meadow Vista
Beverly A. Sandeen, Costa Mesa

Functions of the Commission

The Commission is charged by the Legislature and Governor to "assure the effective utilization of public postsecondary education resources, thereby eliminating waste and unnecessary duplication, and to promote diversity, innovation, and responsiveness to student and societal needs."

To this end, the Commission conducts independent reviews of matters affecting the 2,600 institutions of postsecondary education in California, including community colleges, four-year colleges, universities, and professional and occupational schools.

As an advisory body to the Legislature and Governor, the Commission does not govern or administer any institutions, nor does it approve, authorize, or accredit any of them. Instead, it performs its specific duties of planning, evaluation, and coordination by cooperating with other State agencies and non-governmental groups that perform those other governing, administrative, and assessment functions.

Operation of the Commission

The Commission holds regular meetings throughout the year at which it debates and takes action on staff studies and takes positions on proposed legislation affecting education beyond the high school in California. By law, its meetings are open to the public. Requests to speak at a meeting may be made by writing the Commission in advance or by submitting a request before the start of the meeting.

The Commission's day-to-day work is carried out by its staff in Sacramento, under the guidance of its executive director, Warren Halsey Fox, Ph.D., who is appointed by the Commission.

Further information about the Commission and its publications may be obtained from the Commission offices at 1303 J Street, Suite 500, Sacramento, California 95814-2938, telephone (916) 445-7933 or Calnet 485-7933, FAX (916) 327-4417.

ANALYSIS OF THE 1990-91 GOVERNOR'S BUDGET

California Postsecondary Education Commission Report 90-13

ONE of a series of reports published by the Commission as part of its planning and coordinating responsibilities. Additional copies may be obtained without charge from the Publications Office, California Postsecondary Education Commission, Third Floor, 1020 Twelfth Street, Sacramento, California 95814-3985

Recent reports of the Commission include

89-25 *Overseeing the Heart of the Enterprise* The Commission's Thirteenth Annual Report on Program Projection, Approval, and Review Activities, 1987-88 (September 1989)

89-26 *Supplemental Report on Academic Salaries, 1988-89* A Report to the Governor and Legislature in Response to Senate Concurrent Resolution No 51 (1965) and Subsequent Postsecondary Salary Legislation (September 1989)

89-27 *Technology and the Future of Education: Directions for Progress* A Report of the California Postsecondary Education Commission's Policy Task Force on Educational Technology (September 1989)

89-28 *Funding for the California State University's Statewide Nursing Program* A Report to the Legislature in Response to Supplemental Language to the 1988-89 Budget Act (October 1989)

89-29 *First Progress Report on the Effectiveness of Intersegmental Student Preparation Programs* One of Three Reports to the Legislature in Response to Item 6420-0011-001 of the 1988-89 Budget Act (October 1989)

89-30 *Evaluation of the Junior MESA Program* A Report to the Legislature in Response to Assembly Bill 610 (Hughes) of 1985 (October 1989)

89-31 *Legislation Affecting Higher Education During the First Year of the 1989-90 Session* A Staff Report of the California Postsecondary Education Commission (October 1989)

89-32 *California Colleges and Universities, 1990* A Guide to Degree-Granting Institutions and to Their Degree and Certificate Programs (December 1989)

90-1 *Higher Education at the Crossroads: Planning for the Twenty-First Century* (January 1990)

90-2 *Technical Background Papers to Higher Education at the Crossroads: Planning for the Twenty-First Century* (January 1990)

90-3 *A Capacity for Learning: Revising Space and Utilization Standards for California Public Higher Education* (January 1990)

90-4 *Survey of Space and Utilization Standards and Guidelines in the Fifty States* A Report of MGT Consultants, Inc., Prepared for and Published by the California Postsecondary Education Commission (January 1990)

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90-10 *Faculty Salaries in California's Public Universities, 1990-91* A Report to the Legislature and Governor in Response to Senate Concurrent Resolution No 51 (1965) (March 1990)

90-11 *Status Report on Human Corps Activities, 1990* The Third in a Series of Five Annual Reports to the Legislature in Response to Assembly Bill 1820 (Chapter 1245, Statutes of 1987) (March 1990)

90-12 *The Dynamics of Postsecondary Expansion in the 1990s* Report of the Executive Director, Kenneth B. O'Brien, March 5, 1990 (March 1990)

90-13 *Analysis of the 1990-91 Governor's Budget* A Staff Report to the California Postsecondary Education Commission (March 1990)